

Baltimore, March 17, 1906.

The Board of Public Works of Maryland met in conference at 11.30 a. m. in room 703 of the Fidelity Building, the sub-Committee of the Joint Baltimore and Ohio, Washington Branch Investigating Committee.

There were present:

Of the Board of Public Works: Governor Warfield, Comptroller Atkinson, and Treasurer Vandiver;

Of the sub-Committee of the Investigating Committee: Chairman Benson, Speaker of the House of Delegates; President Seth of the Senate, Senator Gorman, and Messrs. Fenton and Ray, of the Committee;

Of the Counsel to the Committee: Attorney-General Bryan, ex-Mayor Hayes, Hon. John P. Poe, and Mr. Isaac Lobe Straus.

President Seth, Senator Gorman and Mr. Benson outlined the reasons for their request and the Board of Public Works meet them in conference.

Senator Seth moved that the Governor inform Mr. Hugh L. Bond, 2d Vice-President of the B. & O. R.R. Company, by telephone, that the conference is being held, and that the members thereof will be pleased to have him, representing the B. & O. R.R. Company, appear before the meeting; seconded and adopted, and telephonic notice was immediately sent to Mr. Bond.

An informal discussion of the whole subject matter was entered into and continued until Mr. Bond made his appearance. A lengthy discussion ensued, and finally Mr. Bond was asked to submit on Monday, March 19th, a bid on behalf of the Baltimore and Ohio R. R. Company for the State's holdings in the Washington branch.

On motion of Mr. Fenton, the conference adjourned at 2 p.m., until Monday morning, March 19th, at eleven o'clock, to meet in the same place, which was seconded by Senator Gorman and adopted.

(R. S. Hart)

Acting Secretary.

Baltimore, March 19, 1906.

A joint meeting of the Board of Public Works of the State of Maryland and of the Baltimore and Ohio Washington Branch Investigation Committee was held this day at eleven o'clock, a.m., in room 703, Fidelity Building, Baltimore.

There were present:

Of the Board of Public Works: Governor Warfield, Comptroller Atkinson, and Treasurer Vandiver;

Of the Investigation Committee: Chairman Benson, President Seth of the Senate, Senator Gorman, and Delegate Ray;

Of Counsel to the Investigation Committee: Attorney General Bryan, Messrs. Hayes, Poe, and Straus.

In accordance with the request of the Conference, made at the last meeting, Mr. Hugh L. Bond, 2d Vice-President of the B. & O. R.R. Company appeared at the meeting and handed the Chairman the following letter: -

March 19, 1906.

To the Honorable,
The Board of Public Works of Maryland,
Annapolis, Md.

Gentlemen:

I have received through Mr. Bond your request that the Baltimore and Ohio Railroad Company make an offer for the holdings of the State of Maryland in the Washington Branch.

There was published in the morning papers of Saturday, March 17th, what the Baltimore American describes as

"the report of the Baltimore and Ohio Investigating Committee which will be presented to the General Assembly,"

and what the Sun describes as the report

"drawn by Messrs. John P. Poe and Isaac Lobe Straus and submitted to the Committee yesterday afternoon."

This "report" states that, "from the evidence thus far taken, your Committee all agree upon the following conclusions."

First - That in the division of revenues with the Washington Branch, the Baltimore and Ohio Railroad has caused great loss to the State as owner of one-third of the stock of the Branch.

This conclusion is directly contrary to the only testimony taken on the subject, that of Capt. G. W. Booth, Assistant Comptroller which is that the method of division has been extremely favorable to

the Branch, and which is confirmed by what the "report" itself calls "the highly gratifying figures of 1903, 1904 and 1905."

Second - That the action of the President and Directors in suspending dividends on the Washington Branch stock from 1897 to 1905, inclusive,

"cannon successfully be defended or excused as the pretended bona fide exercise of a sound, reasonable and honest discretion."

This conclusion is in the total absence of all testimony or attempted explanation as to how the Washington Branch could have met the expenditures required by the legislation of Congress, except by accumulating earnings.

Third - "That the action of the President and Directors of the Railroad Company in deliberately depreciating the value of the stock of the Washington Branch by the persistent omission for many years to declare dividends, while during the same time they were steadily buying all the shares of the stock held by the individual owners which they could acquire, demonstrates that the excuse given for withholding dividends is disingenuous and insincere."

No testimony has been taken as to the circumstances of these purchases. They were made pursuant to an agreement between counsel for the Company and counsel for certain stockholders, under which the same price (\$200. per share) was made open to acceptance by any stockholder, including the State of Maryland. The agreement was made after full disclosure of every fact that the persons concerned and their counsel wished to know. The reputed authors of this "report" had knowledge of these circumstances. The third conclusion is a gratuitous insult to the officers and directors of the Railroad Company without any foundation in fact.

Fourth - "That the openly avowed purpose of the Baltimore and Ohio Railroad Company to deny to the Washington Branch all participation in the Terminal Company, notwithstanding the appropriation of \$1,844,384. of the funds of the Washington Branch in the construction of the coach yard, round-house and shops, is unjust and indefensible and should be resisted vigorously by the State by appropriate action in the Courts."

Participation in the Terminal Company means simply buying at par that Company's stock, which can pay only four per cent. Washington Branch traffic has exactly the same use of the Terminal Company's facilities and at the same charge, whether the Branch owns stock or not. There is

no charter power to invest Washington Branch money in the stock of the Terminal Company. It seems incredible that any one could, in good faith, revive this exploded fable about the denial of participation in the Terminal Company.

Sixth - The sixth conclusion seems to assert that, having acquired property by the expenditure of \$1,844,384., the Washington Branch should pay the same money out as dividends. No evidence has been produced to show how this can be done.

The "report" is noteworthy as well for its suppression of pertinent facts as for its mis-statements. The legislature and the public are left to infer that all knowledge of Washington Branch affairs has been withheld from the State's officers and representatives. No mention is made even of the fact that the expenditures within the District of Columbia were approved in 1903 by the separate votes of each of the State's Directors, Messrs. A. P. Gorman, Sr. and L. Victor Baughman, and by the vote of all of the State's stock, under the authority of the then Board of Public Works.

Mr. Bond tells me that at the meeting of your Honorable Board on Saturday last, the members of the sub-committee there present, with one exception, disclaimed all responsibility for the document published as their report, as did also the Attorney-General and ex-Mayor Hayes; and that the Chairman of the Committee stated that the document was merely submitted in executive session, was never acted on by the Committee, and was published in violation of the express rule and understanding of the Committee. I accept these statements. The important fact is that the publication made, however unauthorized and in violation of the understanding of the Committee to the contrary, has changed the condition theretofore existing. It was well known to your Board that, in order to further the efforts of those who, having the real interests of the State at heart, wished to reduce the public debt and consequent taxation, through the sale of the State's holdings of the Washington Branch stock, the Baltimore and Ohio Railroad Company was willing to pay for the State's holdings the highest price that the officers of the Company could justify; and that in fixing the price, the Railroad Company was willing to consider not merely the present and prospective value of the stock as an investment and the possible advantage to it of owning all the stock of the Branch, but also the

indirect benefits to the Company through the encouragement of new enterprises in the State by the lowering of the State tax rate and through continuance of cordial relations with the State Government. The disposition of the Company to deal in the spirit of the greatest liberality has not changed, but the publication of the alleged report of the Committee, reflecting upon the honesty of the present and past administration of the Company, made so far as the public is informed with the sanction of the Committee, is in the way of any negotiations so long as that condition continues.

The Baltimore and Ohio Railroad Company has nothing to conceal or to excuse in the management of the Washington Branch. The State may investigate to the fullest extent and will receive every facility and courtesy in so doing.

Yours very truly,

(Signed) OSCAR G. MURRAY,
President.

March 19, 1906.

Hon. Carville D. Benson, Chairman,
Joint B. & O. Investigation Committee,
Law Building, Baltimore, Md.

My dear Sir:

In accordance with the resolution adopted by the Board of Public Works at its meeting to-day, I enclose herewith a copy of the communication received by the Board from Mr. Oscar G. Murray, President of the Baltimore and Ohio Railroad Company, for the information of the Joint Investigation Committee.

Very truly yours,

Acting Secretary, Board of Public
Works of Maryland.

which was read by Governor Warfield and, on motion of the Comptroller, seconded by the Treasurer, the communication was ordered spread upon the Minutes of the Board of Public Works, and the Comptroller further moved that a copy of the same be transmitted to the Chairman of the Investigation Committee immediately: seconded by Treasurer Vandiver, and adopted.

Mr. Bond was asked by the Chairman whether he had any further communication to make, and he replied that he had nothing further to say or submit. Thereupon, at 11.45 a.m., the conference adjourned.

(R. S. Hart)

Acting Secretary.